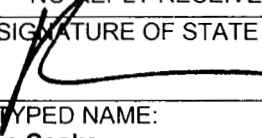



<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> <b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>		1. TRANSMITTAL NUMBER:  <b>04 - 05</b>	2. STATE:  <b>TEXAS</b>
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE:  <b>April 1, 2004</b>	
5. TYPE OF PLAN MATERIAL (Circle One):  <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: <b>and 42 CFR 433.36</b>		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2005      \$ 0 b. FFY 2006      \$ 0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  <b>SEE ATTACHMENT</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  <b>SEE ATTACHMENT</b>	
10. SUBJECT OF AMENDMENT: <b>This amendment allows a Prospective Payment System (PPS) rate to be calculated for a rural health clinic (RHC) that does not have an audited cost report from its Medicare intermediary for its 1999 and/or 2000 fiscal years.</b>			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <b>Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.</b> <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO:  <b>Jason Cooke</b> <b>State Medicaid/CHIP Director</b> <b>Post Office Box 13247</b> <b>Austin, Texas 78711</b>  <i>Jason (04-05)</i> <i>approved: 07/22/04</i> <i>effective: 04/01/04</i>	
13. TYPED NAME: <b>Jason Cooke</b>			
14. TITLE: <b>State Medicaid/CHIP Director</b>			
15. DATE SUBMITTED: <b>May 24, 2004</b>			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: <b>26 MAY 2004</b>		18. DATE APPROVED: <b>22 JULY 2004</b>	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>1 APRIL 2004</b>		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: <b>ANDREW A. FREDRICKSON</b>		22. TITLE: <b>ASSOCIATE REGIONAL ADMINISTRATOR DIV OF MEDICAID &amp; CHILDREN'S HEALTH</b>	
23. REMARKS:			

State of Texas  
Rural Health Clinics

STATE <u>Texas</u>	A
DATE REC'D <u>6-26-04</u>	
DATE APPV'D <u>7-28-04</u>	
DATE EFF <u>4-1-04</u>	
HCFA 179 <u>04-05</u>	

Attachment 4.19-B  
Page 5

13. Rural Health Clinics (RHCs):

For services provided by an RHC and other ambulatory services that are covered under the plan and furnished by an RHC in accordance with Section 4231 of the State Medicaid Manual (HCFA Pub. 45-4).

For RHC facilities employing the Prospective Payment System (PPS) Methodology.

- (a) In accordance with Section 1902(aa) of the Social Security Act as amended by the Benefits Improvement and Protection Act (BIPA) of 2000, effective for the RHC's fiscal year which includes dates of service occurring January 1, 2001, and after, RHCs will be reimbursed a PPS per visit rate for Medicaid-covered services. There will no longer be a cost settlement for RHCs for dates of services on or after January 1, 2001.
- (b) The PPS per visit rate for both hospital-based and freestanding RHCs will be calculated based on one hundred percent (100%) of the average of the RHC's reasonable costs for providing Medicaid-covered services as determined from audited cost reports for the RHC's 1999 and 2000 fiscal years. The PPS per visit rates will be calculated by adding the total audited reimbursable costs as determined from the 1999 and 2000 cost reports and dividing by the total audited visits for these same two periods. In the event an audited cost report will not be received from the Medicare Intermediary, the PPS per visit rate for both hospital-based and freestanding RHCs will be calculated based on one hundred percent (100%) of the average of the RHC's reasonable costs for providing Medicaid-covered services as determined from audited or unaudited cost reports for the RHC's 1999 and 2000 fiscal years.
- (c) For hospital-based RHCs, an interim PPS per visit rate for each RHC will be calculated based upon the encounter rate from the latest finalized cost report settlement, adjusted as provided for in Subsection (h). For freestanding RHCs, the interim PPS per visit rate for each RHC will be based upon the per visit rate in the Medicaid payment system as of December 31, 2000, adjusted as provided for in Subsection (h). When the commission has determined a final PPS rate, interim payments will be reconciled back to January 1, 2001.
- (d) Reasonable costs, as used in setting the interim PPS rate, the PPS rate or any subsequent effective rate, is defined as those costs which are allowable under Medicare Cost Principles as outlined in 42 CFR part 413. The cost limits that were in place on December 31, 2000, shall be maintained in determining reasonable costs. Reasonable costs shall not include unallowable costs.
- (e) Unallowable costs are expenses which are incurred by an RHC, and which are not directly or indirectly related to the provision of covered services according to applicable laws, rules, and standards. An RHC may expend funds on unallowable cost items, but those costs must not be included in the cost report/survey, and they are not used in calculating a rate determination. Unallowable costs include, but are not necessarily limited to, the following:

SUPERSEDES: TN- 01-01

State of Texas  
Rural Health Clinics

STATE <u>Texas</u>	A
DATE REC'D <u>6-26-04</u>	
DATE APPV'D <u>7-22-04</u>	
DATE EFF <u>4-1-04</u>	
HCFA 179 <u>04-05</u>	

Attachment 4.19-B  
Page 5f

13. Rural Health Clinics (RHCs): continued

For services provided by an RHC and other ambulatory services that are covered under the plan and furnished by an RHC in accordance with Section 4231 of the State Medicaid Manual (HCFA Pub. 45-4).

RHCs may be reimbursed using an alternative methodology. Written and signed agreements will be obtained from all RHC providers agreeing to the alternative methodology.

- (a) In accordance with Section 1902(aa) of the Social Security Act as amended by the Benefits Improvement and Protection Act (BIPA) of 2000, effective for the RHC's fiscal year which includes dates of service occurring January 1, 2001, and after, RHCs will be reimbursed a PPS per visit rate for Medicaid-covered services. There will no longer be a cost settlement for RHCs for dates of services on or after January 1, 2001.
- (b) The PPS per visit rate for both hospital-based and freestanding RHCs will be calculated based on one hundred percent (100%) of the average of the RHC's reasonable costs for providing Medicaid-covered services as determined from audited cost reports for the RHC's 1999 and 2000 fiscal years. The PPS per visit rates will be calculated by adding the total audited reimbursable costs as determined from the 1999 and 2000 cost reports and dividing by the total audited visits for these same two periods. The per visit rate using this alternative methodology will provide reimbursement equal to or greater than what would have occurred under PPS. In the event an audited cost report will not be received from the Medicare Intermediary, the PPS per visit rate for both hospital-based and freestanding RHCs will be calculated based on one hundred percent (100%) of the average of the RHC's reasonable costs for providing Medicaid-covered services as determined from audited or unaudited cost reports for the RHC's 1999 and 2000 fiscal years.
- (c) For hospital-based RHCs, an interim PPS per visit rate for each RHC will be calculated based upon the encounter rate from the latest cost report settlement, adjusted as provided for in Subsection (h). For freestanding RHCs, the interim PPS per visit rate for each RHC will be based upon the per visit rate in the Medicaid payment system as of December 31, 2000, adjusted as provided for in Subsection (h). When the commission has determined a final PPS rate, interim payments will be reconciled back to January 1, 2001. Adjustments will be made only if the interim payments are less than what would have occurred under PPS.
- (d) Reasonable costs, as used in setting the interim PPS rate, the PPS rate or any subsequent effective rate, is defined as those costs which are allowable under Medicare Cost Principles as outlined in 42 CFR part 413. The cost limits that were in place on December 31, 2000, shall be maintained in determining reasonable costs. Reasonable costs shall not include unallowable costs.

SUPERSEDES TN- 01-01